

Presentation of the annual financial results of the ČD Group for 2014



Prague, 30 April, 2015



Financial results of the ČD Group

[CZK mil.]	2014	2013
Revenues from principal operations	33 036	32 861
Other operating income	3 701	4 061
Costs	-28 989	-31 369
- purchased consumables and services	-16 271	-17 221
- employee benefit costs	-12 107	-12 684
- other operating profit/losses	-611	-1 464
EBITDA	7 748	5 552
<i>Depreciation and amortization</i>	<i>-5 885</i>	<i>-5 726</i>
EBIT	1 863	-174
EBT	543	-1 639
Profit (loss) for the period	156	-1 953

(consolidated IFRS for ČD Group)

- **Revenues from principal operations increased y-o-y by CZK 175 million (1 %):**
 - *In passenger transport the revenues increased mainly in international transport and partially also in domestic transport ;*
 - *In freight transport the revenues decreased due to the loss of certain transports of black coal and lignite and lower volumes of the purchased consumables and services.*
- **Total cost decreased y-o-y by CZK 2.4 billion (8 %):**
 - *The cost reduction was attributable to a decrease in traction costs (traction energy and traction diesel) of CZK 344 million (8 %) due to a decreased volume of freight transports and partially also due to a drop in electricity and oil prices on the market;*
 - *Significant savings were also achieved in staff costs, which decreased by CZK 577 million year-on-year (5 %) owing to restructuring measures taken in the freight transport segment.*
- **The overall financial results of the ČD Group for the year 2014 were positively impacted by significant savings in operating expenses and partially also by the improving economic situation in the Czech Republic and the Eurozone. Despite the stagnation in total operating revenues EBITDA grew by CZK 2.2 billion (40 %) year-on-year.**
- **The EBIT amounted to CZK 1.9 billion, which is an important increase compared to the loss in the prior year, which amounted to CZK 174 million.**
- **Overall, the ČD Group reported a profit of CZK 156 million in 2014, as compared to the loss of CZK 1.95 billion in the previous year.**
- **The reserve which was recognised in 2013 for possible legal disputes and which was not recognised in 2014, and provisions against receivables, fixed assets and inventory had a substantial impact on the Group's year-on-year financial results.**

Financial results of the passenger transport segment

[CZK mil.]	2014	2013
Revenues from principal operations	20 723	19 923
Other operating income	0	0
Costs	-16 204	-16 602
- purchased consumables and services	-8 619	-8 883
- employee benefit costs	-6 877	-6 923
- other operating profit/losses	-708	-796
EBITDA	4 519	3 321
Depreciation and amortization	-4 397	-4 088
EBIT	122	-767
Profit (loss) for the period	-865	-2 053

(ČD, a.s. separate IFRS)

- **Revenues from principal operations increased y-o-y by CZK 800 million (4 %):**
 - *In 2014 the revenues in passenger transport increased mainly in international transport and partially also in domestic transport ;*
 - *there was a year-on-year increase in sales in international passenger transport and passenger transport using ČD passenger vehicles abroad due to the difference in the EUR/CZK exchange rate;*
 - *In the sector of domestic transport, steps were taken to promote pro-revenue measures in the area of tariffs; thanks to these, ticket office sales grew, as well as revenues from the integrated transport system and supplementary services (special trains and luggage transport).*
- **The significant savings in expenses were achieved by the lower costs of traction energy and traction diesel and by reduction of overhead costs (marketing, advisory, legal services, etc).**
- **The above mentioned factors positively influenced the y-o-y increase of EBITDA by CZK 1.2 billion (36 %).**
- **Despite the depreciation increased by CZK 309 million (8 %) the passenger transport segment's EBIT amounted to CZK 122 million in comparison to the operating loss in 2013 at the amount of CZK 767 million.**
- **The total loss of the segment for the year 2014 decreased by CZK 1.2 billion year-on-year (from CZK 2 billion to CZK 865 million).**
- **The lower charge for reserves for potential legal disputes and the lower provisions against receivables, fixed assets and inventory were also positively reflected in the improved operating results.**

Financial results of the freight transport segment

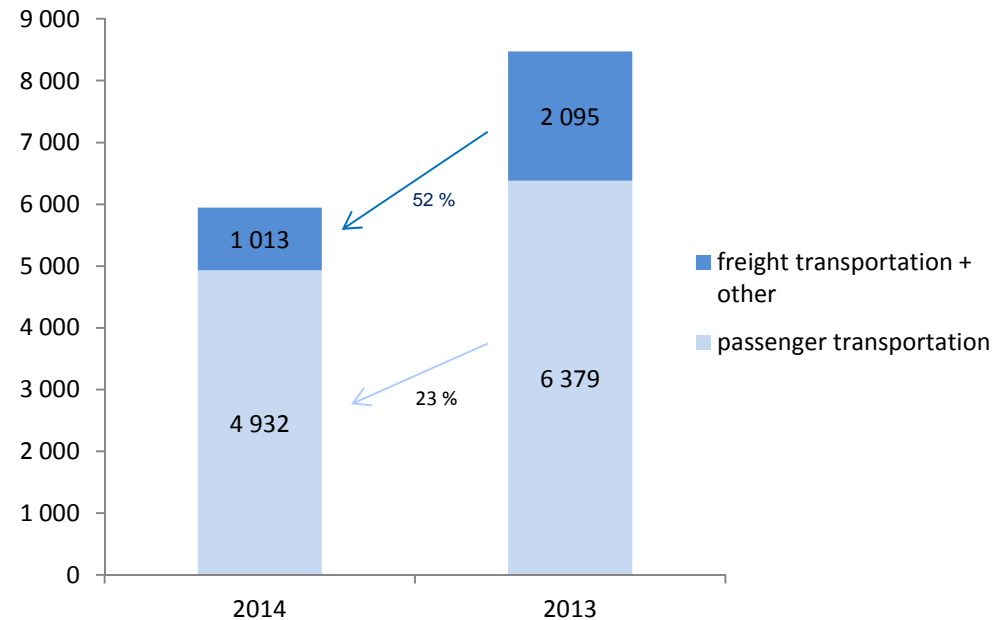
[CZK mil.]	2014	2013
Revenues from principal operations	13 629	14 213
Other operating income	0	0
Costs	-11 075	-11 924
- purchased consumables and services	-7 735	-8 133
- employee benefit costs	-3 808	-4 246
- other operating profit/losses	468	455
EBITDA	2 554	2 289
Depreciation and amortization	-1 075	-1 137
EBIT	1 479	1 152
Profit (loss) for the period	877	777

(ČD Cargo, a.s. separate IFRS)

- **In freight transport the y-o-y revenues from principal operations decreased by CZK 584 million (4 %):**
 - *The decrease was caused by the loss of certain transports of black coal and lignite, which were not substituted by other transports, and also by lower volumes of purchased consumables and services.*
- **The lowered revenues were on the other hand compensated by significant cost savings by CZK 849 million (7 %):**
 - *The savings were achieved mainly due to the continuing austerity and restructuring measures, increasing the work productivity and increasing effectivity of partial activities of the company;*
 - *Lower traffic performance led to the cost savings of energy and fuel.*
- **Lower costs positively impacted the EBITDA, which increased y-o-y by CZK 265 million (12 %) and EBIT, which increased y-o-y by CZK 327 million (28 %), which was also impacted by the y-o-y decrease of depreciation by 6 %.**
- **The freight transport segment reported a net income for 2014 at the amount of CZK 877 million, which represents a y-o-y increase of CZK 100 million.**

CAPEX of the ČD Group

[in CZK million]



- **The total CAPEX of the ČD Group in 2014 amounted to CZK 5.9 billion:**
 - Significant part of it, CZK 4.9 billion, was invested into passenger transport; CAPEX is primarily directed at the purchase of the new and modernisation of the current rolling stock;
 - CAPEX in freight transport amounted to CZK 1 billion; CAPEX is primarily directed at the modernisation of the current rolling stock.
- **The CAPEX decreased y-o-y in both passenger and freight transport. In freight transport it was primarily due to the reduction of the CAPEX for restructuring reasons; in passenger transport it was primarily due to the postponement of some of the investment activities or deferring of certain payments.**

Debt development

[CZK mil.]	2014	2013
ČD - bonds	25 927	20 753
ČD - Eurofima	2 914	4 120
ČD - leasing	2 356	2 789
ČD - promissory notes programme and overdraft	116	42
ČD - ČSOB syndicated loan	0	281
Total ČD	31 313	27 985
ČD Cargo - bonds	2 176	2 505
ČD Cargo - leasing	2 860	2 726
ČD Cargo - promissory notes programme and overdraft	0	845
Total ČD Cargo	5 036	6 076
debt of other consolidated subsidiaries	433	524
Total debt (consolidated)	36 782	34 585

- **The increase of ČD bonds was caused by the private placement issuance at the nominal value of EUR 180 million in November 2014.**
- **In regards to Eurofima, in the first half of 2014 ČD repaid principals of EUR 25.4 million and EUR 19.6 million as of 4 February 2014 and 12 May 2014, respectively.**
- **As of 25 November 2014 ČD paid the last repayment of the ČSOB syndicated loan. The loan was at the total amount of EUR 92 million. The loan was used to finance the production and purchase of seven threesystem units with tilting car bodies of 680 series – Pendolino.**
- **In 2014 ČD Cargo carried out its third and final tranche of the leaseback of the modernised 363.5 series of traction vehicles - the financing of the modernisation of the last 10 pieces of traction vehicles from the 163 series to the 363.5 series.**
- **Investors of ČD Cargo used the possibility of a premature repayment (put option) of the first issue of bonds of CZK 342 million out of the total amount of CZK 1 billion.**

